

COMMITTEE ON WAYS AND MEANS

Representative Debbie Lesko, Chairman
 Representative Adam Kwasman, Vice-Chairman
 Stephanie Jaffa, Legislative Research Analyst
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* Strike-Everything Amendment
 [E] Emergency Clause
 [P 105] Proposition 105 Clause
 [P 108] Proposition 108 Clause
 [LIV] Line Item Veto
 [W/O] Without Emergency Clause
 [W/S] Without Signature

Bill	Chapter	Short Title	Page
HB 2111	255	*transaction privilege tax changes	2
HB 2324	27	*commercial lease exemption	2
HB 2336	233	taxation; retail classification; cash equivalents	2
HB 2344	9	property tax penalty waiver.....	2
HB 2347	188	tax levy; bond costs	3
HB 2531	256	income tax; instant depreciation	3
HB 2535	153	independent functional utility.....	3
HB 2544	230	*Arizona Power Authority; financing	
		(See Committee on Energy, Environment and Natural Resources)	
SB 1168	65	internal revenue code conformity.....	3
SB 1169	66	proposition 117; conformity.....	3
SB 1179	236	ignition interlock devices; TPT exemption	3
SB 1251	113	irrigation districts; audit requirements	4
SB 1313	114	tax corrections.....	4

HB 2111 – Chapter 255 – *transaction privilege tax changes

Simplifies TPT administration through changes regarding the collection of TPT monies, audits, and the prime contracting classification. Requires DOR to provide and administer an online portal on or before January 1, 2015, paid for by cities and towns without an intergovernmental agreement as of January 1, 2013, that includes the following:

- A single point for licensing, filing tax returns, and paying TPT.
- Data consolidated in a manner so that it is compatible with DOR systems and captured with sufficient specificity to meet the needs of all taxing jurisdictions.
- A non-electronic means of capturing data relating to taxpayers who do not pay TPT through the online portal.

Requires the following regarding audits:

- All audits be conducted in accordance with the DOR manual and performed by a DOR certified auditor.
- All audits include all taxing jurisdictions, regardless of which jurisdiction conducts the audit.
- DOR conducts all multi-city taxpayer audits, unless DOR authorizes a city or town to do so.
- Cities and towns may audit single-city taxpayers and any other taxpayer authorized by DOR.
- DOR issues a single notice to a taxpayer for all audit assessments, notifies all affected cities and towns prior to a resolution relating to taxes levied by them, and DOR handles all appeals.

Allows prime contractors who work for someone other than the property owner to be exempt from retail TPT for materials incorporated into a prime contracting project. Exempts service contractors who work directly for a property owner to maintain, repair, or replace existing property from prime contracting TPT and requires them to pay retail TPT on project materials. Allows DOR to adopt emergency rules. Requires JLBC to prepare a revenue impact analysis report by September 30, 2016. Contains a legislative intent clause and an effective date of January 1, 2015.

HB 2324 – Chapter 27 – *commercial lease exemption

Provides a municipal TPT exemption for the leasing of real property between affiliated companies, businesses, persons, or reciprocal insurers and specifies that *affiliated companies, businesses, persons, or reciprocal insurers* means there is direct or indirect ownership of at least 80% of the voting shares of a corporation or of the interests in a business with regard to the lessor and the lessee.

HB 2336 – Chapter 233 – taxation; retail classification; cash equivalents

Exempts the sale of cash equivalents from TPT under the retail classification, retroactive to January 1, 1999. Contains a legislative intent clause.

HB 2344 – Chapter 9 – property tax penalty waiver

Permits a county treasurer, in consultation with a BOS, to waive the penalty against a property owner for failure to respond to a request for information regarding the property's classification for tax purposes. Contains a retroactive effective date of July 1, 2012 and a repeal date of July 1, 2014.

HB 2347 – Chapter 188 – tax levy; bond costs

Prohibits property tax levies in excess of the net amount necessary to make the annual payment for bond principal and interest and expands the list of eligible investments for monies managed by treasurers of counties, noncharter cities, or towns.

HB 2531 – Chapter 256 – income tax; instant depreciation

Removes the \$25,000 cap on deductions from Arizona AGI with respect to property for which an expense deduction was taken under IRC § 179 for TYs after January 1, 2013.

HB 2535 – Chapter 153 – independent functional utility

Retroactive to July 1, 1997, deletes language limiting the state and municipal tax exemption for machinery and equipment to property that does not become a permanent attachment and specifies that machinery or equipment that is exempt from taxation under the retail classification and that has independent functional utility is not considered taxable under the prime contracting classification. States that *independent functional utility* means that the machinery or equipment can independently perform its function without attachment to real property, other than attachment for the following purposes:

- Assembling the machinery or equipment.
- Connecting items of machinery or equipment to each other.
- Connecting the machinery or equipment, whether as an individual item or as a system of items, to water, power, gas, communication, or other services.
- Stabilizing or protecting the machinery or equipment during operation by bolting, burying, or performing other similar non-permanent connections to either real property or real property improvements.

SB 1168 – Chapter 65 – internal revenue code conformity

Conforms Arizona tax statutes to the IRC as of January 3, 2013 and establishes a tax credit for TY 2013 in lieu of conforming to the retroactive provision of the Federal Aviation Administration Modernization and Reform Act, relating to rollover of amounts received in airline carrier bankruptcy.

SB 1169 – Chapter 66 – proposition 117; conformity

Makes changes to statute for purposes of conforming to the provisions of Proposition 117, passed in 2012.

SB 1179 – Chapter 236 – ignition interlock devices; TPT exemption

Makes changes relating to the taxation of certified ignition interlock devices; qualified destination management companies; sales of food; property used to manufacture biodiesel fuel; contributions to college savings plans pursuant to IRC § 529 and qualifying charitable organizations; multistate service providers; and enterprise zones. Contains retroactive and effective dates.

SB 1251 – Chapter 113 – irrigation districts; audit requirements

Modifies audit schedules for irrigation or water conservation districts based on the size of their annual budgets as follows:

- A district with a budget of at least \$5 million must be audited annually.
- A district with a budget between \$1 million and \$5 million must be audited every five years and undergo a financial review each year an audit is not performed.
- A district with a budget between \$100,000 and \$1 million must be audited every 10 years and undergo a financial review each year an audit is not performed.

SB 1313 – Chapter 114 – tax corrections

Corrects errors, strikes obsolete language, and makes clarifying and conforming changes to statutes relating to taxation based on recommendations made by DOR and Legislative Council.